

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 SPC-03 AID-20 EB-11 NSC-10

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H-03 PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 LAB-06 SIL-01 XMB-07 OPIC-12 DRC-01

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INFO AMEMBASSY BONN

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PASS AGRICULTURE

E.O. 11652: N.A.

TAGS: OVIP, EAGR, GATT, US, EEC

SUBJ: SECRETARY BUTZ' DISCUSSION WITH EC COMMISSIONER LARDINOIS

1. BEGIN SUMMARY. SECRETARY BUTZ HAD A USEFUL
EXCHANGE OF VIEWS WITH COMMISSIONER LARDINOIS COVERING
RECENT DEVELOPMENTS AND OUTLOOK IN US AND EC AGRICULTURAL
POLICIES, AGRICULTURAL POSSIBILITIES IN THE MTN CONTEXT
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AND RELATED MATTERS. SECRETARY BUTZ ASSURED LARDINOIS

OF OUR CONTINUED COMMITMENT TO MTN DESPITE THE DELAY IN THE TRADE BILL AND PROBED COMMISSION THINKING ABOUT POSSIBLE ELEMENTS FOR NEGOTIATION. LARDINOIS ASSURED THE SECRETARY THAT, WHILE THE COMMUNITY WANTS AGRICULTURAL ASPECTS OF THE MTN NEGOTIATED BY AGRICULTURAL EXPERTS, THEY ACCEPT THE FACT THAT OVERALL RECIPROCITY CAN BE ATTAINED ONLY IN A TOTAL PACKAGE INCLUDING BOTH INDUSTRY AND AGRICULTURE -- AND NOT SIMPLY BY SEEKING RECIPROCITY WITHIN THE AGRICULTURAL SECTOR ALONE. END SUMMARY.

2. AT A WORKING LUNCHEON ON NOVEMBER 15, SECRETARY BUTZ AND EC COMMISSION MEMBER LARDINOIS EXCHANGED VIEWS WITH THE PARTICIPATION OF AMBASSADOR GREENWALD, GOODMAN (FAS), EC COMMISSION DIRECTOR GENERAL FOR AGRICULTURE RABOT, AND OTHER COMMISSION OFFICIALS AND MISSION OFFICERS. DURING THI DISCUSSION, THE SECRETARY ASSURED LARDINOIS AND HIS COLLEAGUES OF THE US GOVERNMENT'S CONTINUED AND UNDIMINISHED COMMITMENT TO THE TRADE NEGOTIATIONS. HE EXPLAINED THE BACKGROUND TO THE DELAY ON THE TRADE BILL -- RELATED TO THE MIDDLE EAST SITUATION -- AN EXPRESSED THE HOPE THAT CIRCUMSTANCES WOULD SOON PERMIT CONGRESSIONAL ACTION TO RESUME. LARDINOIS INDICATED THAT HE UNDERSTOOD THE REASON FOR THE POSTPONEMENT. PERSONALLY, HE IS NOT TOO UNHAPPY ABOUT A SHORT DELAY BECAUSE THE COMMUNITY NEEDS MORE TIME TO DEVELOP ITS IDEAS ABOUT AGRICULTURE IN THE MTN.

3. SECRETARY BUTZ EXPLAINED THE ORIENTATIN OF US DOMESTIC AND EXPORT POLICIES IN THE AGRICULTURAL FIELD. HE EMPHASIZED THAT WE ARE COMMITTED TO A MARKET-ORIENTED AGRICULTURE. HE POINTED OUT THT WE HAVE SUSPENDED ALL AGRICULTURAL EXPORT SUBSIDIES, ARE CONSIDERING ABOLISHING IMPORT QUOTAS FOR WHEAT AND COTTON, AND ARE IN PRINCIPLE PREPARED TO PUT OUR DAIRY IMPORT CONTROL SYSTEM ON THE NEGOTIATING TABLE IN THE MTN. HE STRESSED THAT WE HAVE GREATLY REDUCED DOMESTIC SUPPORT PROGRAMS.

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4. IN RESPONSE TO QUESTIONS, LARDINOIS CHARACTERIZED THE FRG AS THE MEMBER STATE MOST INSISTENT ON MAINTAINING RELATIVELY HIGH SUPPORT PRICES FOR CEREALS UNDER THE CAP. THE NETHERLANDS HAD TRADITIONALLY SUPPORTED THE GERMANS ON THIS ISSUE BUT THE STRUCTURE OF DUTCH AGRICULTURE HAS CHANGED SO THIS IS LESS OF A PROBLEM FOR THE DUTCH. FRANCE WANTS HIGH MILK PRICES BUT LOWER GRAIN PRICES THAN THE FRG. BRITISH ENTRY HAD

OF COURSE CHANGED THE BALANCE WITHIN THE COMMUNITY IN A FAVORABLE DIRECTION. NEVERTHELESS, LARDINOIS DOUBTED THAT IT WOULD BE POSSIBLE IN THE NEAR TERM TO LOWER WHEAT OR OTHER CEREAL PRICES IN NOMINAL TERMS. POLITICAL REALITIES HAD CAUSED THE COMMISSION TO SUGGEST A FREEZE IN WHEAT PRICES AND INCREASES IN FEED GRAIN PRICES RATHER THAN A FREEZE IN FEED GRAINS AND AN ABSOLUTE LOWERING OF WHEAT PRICES. ON THE OTHER HAND, REAL CAP PRICE LEVELS WOULD CONTINUE TO BE ERODED SUBSTANTIALLY BY INFLATION.

5. THE SECRETARY ASKED FOR LARDINOIS' IDEAS ABOUT THE APPROACH TO AGRICULTURE IN THE MTN. LARDINOIS SAID THAT, AS A MATTER OF PHILOSOPHY, HE HOPED TO SEE ARRANGEMENTS AGREED AMONG THE WESTERN COUNTRIES THAT WOULD ASSURE ORDERLY WORLD MARKETS. SOMETHING LIKE THE OECD GROUP OF COUNTRIES PLUS ARGENTINA HAVE THE CAPACITY TO DO THIS IF THEY CAN AGREE.

6. MORE SPECIFICALLY, LARDINOIS CITED THE COMMUNITY'S MAIN OBJECTIVE AS PRICE STABILITY. HE TALKED ABOUT PRICES AS BOTH A FACTOR IN DETERMINING AND AS AN OUTGROWTH OF STOCK MANAGEMENT AND FOOD AID. IF PRICES TENDED TO DECLINE, STOCKS WOULD BE INCREASED AND VICE VERSA. SURPLUSES WOULD BE HANDLED BY MUTUALLY-AGREED STOCKPILING IN DEVELOPED NATIONS AND BY FOOD AID PROGRAMS. THE US HAD CARRIED THE BURDEN OF STOCKS FOR THE WORLD SINCE THE WAR AND HAD PAID FOR THEM WHILE RECEIVING NO POLITICAL CREDIT. EUROPE WOULD BE PREPARED TO DO ITS SHARE IN THIS REGARD AS PART OF NEW INTERNATIONAL ARRANGEMENTS. LARDINOIS ALSO MENTIONED CRYPTICALLY THE POSSIBILITY OF PRODUCTION MANAGEMENT IN CASE SURPLUSES GO BEYOND AGREED LEVELS FOR STOCK-LIMITED OFFICIAL USE

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PIKLING AND FOOD AID. (HE DID NOT SPELL OUT HIS VIEWS ON THIS POINT, HOWEVER.)

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PASS AGRICULTURE

7. SECRETARY BUTZ ASKED A NUMBER OF QUESTIONS TO
BRING OUT SOME OF THE INHERENT DIFFICULTIES IN COMMODITY
AGREEMENTS IN LIGHT OF PAST AND CURRENT EXPERIENCE
WITH INTERNATIONAL SURPLUS AND SHORTAGE SITUATIONS.
HE MADE CLEAR THE DIFFERENCE IN EMPHASIS BETWEEN THE
EC AND US THINKING IN TERMS OF MARKET ORGANIZATION AND
STABLE PRICES, ON THE ONE HAND, AND TRADE LIBERALIZATION
AND EXPANSION OF PRODUCTION ON THE OTHER HAND -- WITH
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THE US STILL INTERESTED IN LIBERALIZATION, NOT JUST
ORGANIZATION OF WORLD MARKETS. THE SECRETARY INDICATED
POSTIVE INTEREST IN THE CONCEPTS OF CONCERTED STOCK-
PILING PROGRAMS AND FOOD AID.

8. THE SECRETARY SAID WE HAD ALREADY GIVEN AWAY MOST
OF OUR BARGAINING COUNTERS IN AGRICULTURE. HE ASKED

WHAT THE COMMUNITY COULD OFFER IN AGRICULTURE IN EXCHANGE FOR TRADE CONCESSIONS FROM THE US -- PARTICULARLY IF WE OFFERED CONCESSIONS IN THE DAILY FIELD. LARDINOIS SAID THAT FRANKLY THE COMMUNITY HAD RELATIVELY LITTLE SCOPE FOR AGRICULTURAL LIBERALIZATION IN THE TRADITIONAL SENSE ALTHOUGH THERE MIGHT BE SOME POSSIBILITIES. THE MAIN AGRICULTURAL OFFERS THE COMMUNITY COULD MAKE WOULD BE IN TERMS OF MARKET STABILITY AND -- DIRECTLY OR INDIRECTLY -- IMPROVED RECEIPTS FOR AMERICAN FARM EXPORTS (E.G. LESS NEED FOR US EXPORT SUBSIDIES, LESS NEED FOR HIGH EC VARIABLE LEVIES, AND BURDEN-SHARING IN CONNECTION WITH STOCKS AND FOOD AID.)

9. SECRETARY BUTZ SAID HE FELT OBLIGED TO RECOMMEND THAT, IF THE US LIBERALIZED ITS DAIRY IMPORT SYSTEM, COUNTERVAILING DUTIES BE AVAILABLE IN CASE OF SUBSIDIZED SALES BY FOREIGNERS. LARDINOIS EXPRESSED UNDERSTANDING FOR THIS POINT OF VIEW, BUT HE URGED THAT THE US BE FLEXIBLE ABOUT ACTUALLY APPLYING COUNTERVAILING DUTIES AND BE PREPARED TO "TALK IT OVER" WITH THE COMMUNITY BECAUSE, FOR EXAMPLE, OF THE DIFFICULTY OF DEFINING WHAT CONSTITUTES A SUBSIDY.

10. WITH REGARD TO THE RELATIONSHIP BETWEEN AGRICULTURE AND OTHER SECTORS IN THE MTN, SECRETARY BUTZ POINTED OUT THAT IT WOULD OF COURSE NOT BE POSSIBLE FOR THE US TO ATTAIN ITS AGRICULTURAL OBJECTIVES BY GIVING RECIPROCITY IN THE AGRICULTURAL FIELD ALONE. THE STRUCTURE OF OUR FOREIGN TRADE PRECLUDES THIS. LARDINOIS SAID HE UNDERSTOOD THIS POINT. HE AND RABOT DREW A DISTINCTION BETWEEN THE COMMUNITY'S ATTITUDE ON (A) THE ORGANIZATIONAL ASPECTS OF AGRICULTURE IN THE TNC AND (B) RECIPROCITY IN RELATION TO AGRICULTURE. LARDINOIS INDICATED THAT THE LIMITED OFFICIAL USE

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COMMUNITY WANTS TO DEAL WITH AGRICULTURE IN A SINGLE TNC SUB-COMMITTEE BECAUSE OF THE INTERRELATIONSHIPS BETWEEN MOST AGRICULTURAL PROBLEMS AND BECAUSE THOSE RESPONSIBLE FOR AGRICULTURE IN THE COMMUNITY WANT TO BE SURE TO KEEP THE MATTER IN THEIR OWN HANDS. ON THE OTHER HAND, THE COMMUNITY RECOGNIZES THAT RECIPROCITY CANNOT BE ACHIEVED SOLELY BY EXCHANGES OF AGRICULTURAL CONCESSIONS AND THAT THERE MUST BE AN OVERALL BALANCE TAKING ACCOUNT OF INDUSTRIAL CONCESSIONS AS WELL.

11. LASTLY, SECRETARY BUTZ AND LARDINOIS DISCUSSED THE CURRENT SOYBEAN SUPPLY SITUATION AND THE EXPERIENCE OF LAST SUMMER. LARDINOIS EMPHASIZED HIS GREAT PERSONAL ADMIRATION FOR THE ROLE SECRETARY

BUTZ PLAYED DURING THE CRISIS. WHILE COMMUNITY
POLICY IN THE PROTEIN FIELD WAS NOT DISCUSSED IN DETAIL,
LARDINOIS ATTEMPTED TO MINIMIZE THE SIGNIFICANCE
OF POSSIBLE EC SUBSIDIES FOR SOYBEAN PRODUCTION.
HE SAID THAT, IF THE US CAN GIVE ASSURANCES OF STEADY
AND RELIABLE SUPPLIES (WHICH HE DEFINED AS EQUAL TREAT-
MENT WITH AMERICAN DOMESTIC CONSUMERS), THE COMMUNITY
WILL CONTINUE TO CONSTITUTE A LARGE AND GROWING MARKET.
DOMESTIC EC PRODUCTION WOULD BE HELD TO ABOUT FOUR
PERCENT OF TOTAL CONSUMPTION.GREENWALD

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